

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 74 – SB 466

March 22, 2017

SUMMARY OF ORIGINAL BILL: Deletes an obsolete provision requiring the Department of Environment and Conservation (TDEC) to submit a progress report on the cooperative program with private landowners along the Duck River by July 31, 2005.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (005574): Deletes all language after the enacting clause. Creates the Ocoee River Recreation and Economic Development Fund (ORREDF) Act to support recreational water releases on the Ocoee river management by the Tennessee State Parks and to encourage economic growth of the river. Establishes the ORREDF as a special agency account in the state General Fund. Requires all revenue collected from the Ocoee River recreation fee to be deposited into such fund. Authorizes the fund to be used for purposes including, but not limited to, infrastructure upgrades to the Ocoee River management zone, and ORREDF Board and Department of Environment and Conservation (TDEC) expenses associated with fund administration. Authorizes the ORREDF to accept funds from public and private entities and to solicit private grants and donations. Prohibits ORREDF moneys from being transferred or reverting to the General Fund.

Creates the 11-member ORREDF Board, including two legislative members, to be attached to TDEC. Requires Board approval for any expenditures from ORREDF. Requires that Board members shall receive no compensation, but may be reimbursed by comprehensive travel regulations. Establishes Board authorizations and requirements, including the authorization to create a non-profit organization eligible to request and receive gifts, contributions, bequests, donations and grants to effectuate the ORREDF's purpose. Requires such Board to meet no less than two times per year. Requires the Board to submit an annual report detailing the operation and financial status of the ORREDF to the Governor and General Assembly by June 30 of each year.

Requires the Comptroller of the Treasury (COT) to annually audit for any new non-profit entity and such entity shall pay the costs for the audit. Requires any county that incurs cost for the management of the Ocoee River management zone to submit a financial statement for costs incurred to the Board and requires the Board to reimburse such counties for all costs determined to be reasonable by the Board.

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Authorizes TDEC to issue commercial operation permits beginning in the 2019 rafting season. Authorizes TDEC to levy and collect the Ocoee River recreation fee which shall be 10 percent of the annual gross revenue generated by commercial activities occurring in the river management zone. Requires such fees to be deposited into the ORREDF. Authorizes TDEC to revoke commercial operation permits in the management zone for failure to comply with certain criteria.

Requires any appropriations made in the general appropriations act for FY17-18 and allocated to the ORREDF to be held until all contracts and memorandums of understanding have been entered into by the state, federal, and private entities to ensure the continued release of water for recreational purposes on the river beyond 2018. Requires the daily commercial carrying capacity in the lower Ocoee River Recreational Area be 6,000 instead of 4,250 commercial customers for the dates during the last season exceeded 6,000 customers instead of 4,250. Requires each date on which the carrying capacity was capped for the last season to be capped on the same date for the next season unless the commercial usage on the capped date during the previous season fell below 4,050 customers.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenue –

\$720,000/FY18-19 and Subsequent Years/

Ocoee River Recreation and Economic Development Fund

Increase State Expenditures –

\$170,700/FY17-18/Ocoee River Recreation and Economic Development Fund

\$726,500/FY18-19/Ocoee River Recreation and Economic Development Fund

\$660,300/FY19-20 and Subsequent Years/

Ocoee River Recreation and Economic Development Fund

Decrease State Expenditures –

\$318,100/FY18-19 and Subsequent Years/General Fund

Other Fiscal Impact – There will not be sufficient funds in the Ocoee River Recreation and Economic Development Fund in FY17-18 to cover the costs incurred in that year. As a result, a one-time appropriation in the amount of \$170,700 from the General Fund may be required.

Assumptions for the bill as amended:

- Based on the information provided by TDEC, it is estimated that one Board meeting in which all 11 members attend would result in a cost of \$1,210.
- Assuming two meetings each year, the recurring increase in state expenditures for travel and related costs, beginning in FY17-18, is estimated to be \$2,420 (\$1,210 per diem x 2 meetings).

- The proposed bill as amended increases the customer carrying capacity of the Ocoee River Branch and Caney Creek from 4,250 to 6,000.
- According to TDEC, one conservation worker 1, and four seasonal positions will be required to accomplish maintenance and management tasks associated with the increase in the number of rafters.
- The recurring increase in state expenditures for the five positions, beginning in FY17-18, is estimated to be \$168,260 (\$94,548 salaries + \$9,712 benefits + \$64,000 travel, training, computer supplies, telephone supplies, office space, and motor vehicle expenses).
- Currently, TDEC manages the Middle Ocoee River pursuant to contracts with the Tennessee Valley Authority and the United States Forestry Service which will expire December 31, 2018.
- TDEC indicates that the new contracts will define the Ocoee management zone to include the Upper and Middle Ocoee.
- It is assumed that TDEC will manage the Upper and Middle Ocoee River.
- Based on the information provided by TDEC, management responsibility of the Upper Ocoee River will require one park ranger 1 position, one conservation worker 1 position, one conservation worker 3 position, and one clerk 3 position for a total of four positions. It is assumed that these positions will be added in FY18-19.
- The one-time increase in state expenditures in FY18-19 is estimated to be \$66,200 (\$1,200 EMT school + \$30,000 ranger vehicle + \$35,000 maintenance truck).
- The recurring increase in state expenditures for the four positions, beginning in FY18-19, is estimated to be \$171,464 (\$86,076 salaries + \$41,988 benefits + \$43,400 travel, training, computer supplies, telephone supplies, office space, and motor vehicle expenses).
- The proposed bill as amended authorizes use of the ORREDF for TDEC expenses for the management of the Ocoee River management zone, beginning in FY18-19.
- TDEC indicates that the recurring cost to the General Fund to manage the middle Ocoee is approximately \$318,140. Therefore, the recurring increase in expenditures from ORREDF and the associated recurring decrease in state expenditures from the General Fund are each estimated to be \$318,140, beginning in FY18-19.
- The total increase in state expenditures from the ORREDF is estimated to be: \$170,680 in FY17-18 (\$2,420 + \$168,260); \$726,484 in FY18-19 (\$2,420 + \$168,260 + \$66,200 + \$171,464 + \$318,140); and \$660,284 in FY19-20 and subsequent years (\$2,420 + \$168,260 + \$171,464 + \$318,140).
- The proposed legislation as amended authorizes TDEC to assess and collect a recreation fee of 10 percent of the annual gross revenue generated by commercial activities occurring in the river management zone, beginning in FY18-19.
- Based on information provided to TDEC, the gross revenue from commercial activities on the Ocoee River is approximately \$7,200,000 (\$40 x 180,000 rafters) each year.
- The recurring increase in state revenue to the ORREDF, beginning in FY18-19, is estimated to be \$720,000 (\$7,200,000 x 10.0%).
- COT will conduct the any required audits utilizing existing staff without a significant increase in state expenditures.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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